



# NOTES FROM THE:

## Deputy Assistant Secretary, Cost & Economics

by Mr Joseph T. Kammerer

Activity Based Costing/Management (ABC/M). The Air Force has adopted ABC/M as a tool that can help us make better decisions, manage our processes, and reduce costs. The concept of ABC/M is relatively easy. The implementation of ABC/M requires focus, commitment, patience, and change management. SAF/MI and SAF/FMC briefed Dr Gansler, OUSD (A&T), on the Air Force ABC/M Implementation Plan on 20 January 2000. Dr Gansler approved the plan that builds ABC/M into ongoing reengineering efforts and the Reduction in Total Ownership Cost (R-TOC) infrastructure strategy. During the meeting, there was general agreement that knowledge sharing among the Services and Agencies was needed and that specific experiences in individual business areas should be a part of the standard reporting process to the OUSD (A&T). This coincides with one of the goals in our ABC/M Pilot Program where we shared our experiences at the Air Force ABC/M Conference. In addition to sharing knowledge among the attendees, the purpose was to review the status and progress of ABC/M pilots, software deployment, development of an overarching Air Force model, and potential new ABC/M candidates. To encourage commands to use ABC/M, General Lyles (AF/CV) approved an incentive plan to match savings obtained from ABC/M efforts and to purchase ABC/M software for new ABC/M efforts. SAF/FM is working the funding of these incentives and will notify the commands as soon as a decision has been reached on the software.

Housing and Utilities Privatization. The Air Force continues to press forward on both its housing and utilities privatization programs. The FM responsibility is to maintain the core capability of reviewing and certifying economic analyses with civilians and junior officers. Squadron commanders who need to develop this capability should visit the SAF/FM web site for training opportunities. SAF/FMCE held a privatization training workshop for MAJCOM and base financial analysts in early March. The response was positive and several common themes emerged. Most importantly, our FM analysts stressed the importance of cooperation between the FM and CE communities and support from their superiors for these important activities. SAF/FMCE is working with the

CE community to develop a user-friendly model for calculating the life-cycle costs of utility privatization projects. This product should be finished soon and will be posted on the FM web site.

NAF Oversight Guidance Update. We have developed Financial Management Training Aid (FMTA) #16, Establishing and Maintaining Supporting Documentation & Reporting Responsibilities. This training aid provides detailed guidance to NAFFAs for establishing and maintaining a record of supporting documentation for each NAF oversight review performed. It also provides guidance to the NAFFAs on reporting responsibilities to the proper levels of management. Our thanks go to all of the MAJCOMs for their input in making this an effective and efficient product. We are revising AFI 65-106, Appropriated Fund Support of Morale, Welfare, and Recreation and Nonappropriated Fund Instrumentalities. We have drafted an interim change (IC) to address some of the most urgent issues. We will also release an IC to our recently released AFI 65-107, Nonappropriated Fund Financial Management and Oversight Responsibilities. This IC will delete the requirement of NAFFAs to ensure Services' RMFCs conduct quarterly surprise checks on inventories maintained on POS systems. The RMFCs are no longer required to conduct these quarterly surprise inventory checks, therefore the NAFFA review is not required.

AFCAIG Factors. AFCAA/FMF provided major command working analysts the results of the FY02 AFCAIG factor review. Fuel (EEIC 699) slightly decreased, GSD (EEIC 609) showed increased consumption, but MSD (EEIC 644) presented a very large bill for engines and price increases. We will brief the AFCAIG factors to the Air Force Corporate Structure as part of the Budget Estimate Submission (BES). This year we agreed to incorporate appropriate IMPAC and aircraft mounted life support equipment in the GSD factor. As a result of the Audit Agency review of EEIC 609 last year we have also excluded several stock classes from the factor. These issues have been forwarded to commands for validation and incorporation in the BES.